

HSBC HOLDINGS PLC

OVERVIEW

HSBC Holdings is facing a strange new world with a stiff upper lip. London-based HSBC, the UK's #1 banking company, is the parent of Hongkong and Shanghai Bank, a leading bank in Hong Kong with a strong presence in China. It also owns HSBC Bank plc, New York-based HSBC Bank USA (formerly Marine Midland Bank), and 62% of Hong Kong's Hang Seng Bank. The Hong Kong Monetary Authority owns 13% of the company.

HSBC's banking and financial services subsidiaries extend into Central and South America and the Pacific Rim. (It has more than 5,000 offices in 80 countries.) Services include

banking, asset management, investment banking, finance, securities trading, and insurance.

The conservative bank rode out the Asian crisis well-protected by its position in the more developed Asian economies such as Hong Kong. HSBC is hoping that its move into mainland China and its purchase of the late Edmond Safra's US investment banking businesses will jolt growth. The company is also fueling its expansion into continental Europe with its acquisition of Cr dit Commercial de France. The company is rebranding its operations under the HSBC name for global recognition.

HISTORY

Scotsman Thomas Sutherland and other businessmen in 1865 opened the doors to Hongkong & Shanghai Bank, financing and promoting British imperial trade in opium, silk, and tea in East Asia. It soon established a London office and created an international branch network emphasizing China and East Asia. It claims to have been the first bank in Thailand (1888).

War repeatedly disrupted, but never demolished, the bank's operations. During WWII the headquarters were temporarily moved to London. The bank's chief prewar manager, Sir Vandeleur Grayborn, died in a Japanese POW camp. After the Communists took power in China in 1949, the bank gradually withdrew; by 1955 only its Shanghai office remained (it was later closed). The bank played a key role in Hong Kong's postwar growth by financing industrialists who fled there from China.

In the late 1950s Hongkong & Shanghai Bank's acquisitions included the British Bank of the Middle East (founded in 1889, this business evolved into the Saudi British Bank) and Mercantile Bank (with offices in India and Southeast Asia). In 1965 the company bought 62% of Hang Seng, Hong Kong's #2 bank. It also added new subsidiaries, including Wayfoong (mortgage and small-business finance, 1960) and Wardley (investment banking, Hong Kong, 1972).

In the late 1970s and into the 1980s, China began opening to foreign business. The bank added operations in North America to capitalize on business between China and the US and Canada (much of which was transacted through Hong Kong because China lacked financial infrastructure until the late 1980s). Acquisitions included Marine Midland Bank (US, 1980), Hongkong Bank of Canada (1981), 51% of

treasury securities dealer Carroll McEntee & McGinley (US, 1983), most of the assets and liabilities of the Bank of British Columbia (1986), and Lloyds Bank Canada (1990).

Following the 1984 agreement to return Hong Kong to China, Hongkong and Shanghai Bank began beefing up in the UK, buying London securities dealer James Capel & Co. (1986) and the UK's #3 bank, Midland plc (1992). In 1993 the company formed London-based HSBC Holdings and divested assets, most notably its interest in Hong Kong-based Cathay Pacific Airways.

The company then began expanding in Asia again, particularly in Malaysia, where its Hongkong Bank Malaysia Berhad became the country's first locally incorporated foreign bank. HSBC returned to China with offices in Beijing and Guangzhou.

Latin American banks acquired in 1997 were among the non-Asian operations that cushioned HSBC from the worst of 1998's economic crises. Nonetheless, The Hong Kong Monetary Authority took a stake in the bank to shore up the stock exchange and foil short-sellers.

In 1999 China's government made HSBC a loan for mainland expansion. That year the company was foiled in its attempt to buy South Korea's government-owned Seoulbank, but did buy the late Edmond Safra's Republic New York and Safra Republic Holdings (it negotiated a \$450 million discount on the \$10 billion deal after a Japanese probe of Republic's securities division caused delays).

In 2000 the company unveiled several online initiatives, including Internet ventures with Cheung Kong (Holdings) and Merrill Lynch. HSBC bought Cr dit Commercial de France and agreed to buy a controlling stake in Bangkok Metropolitan Bank.